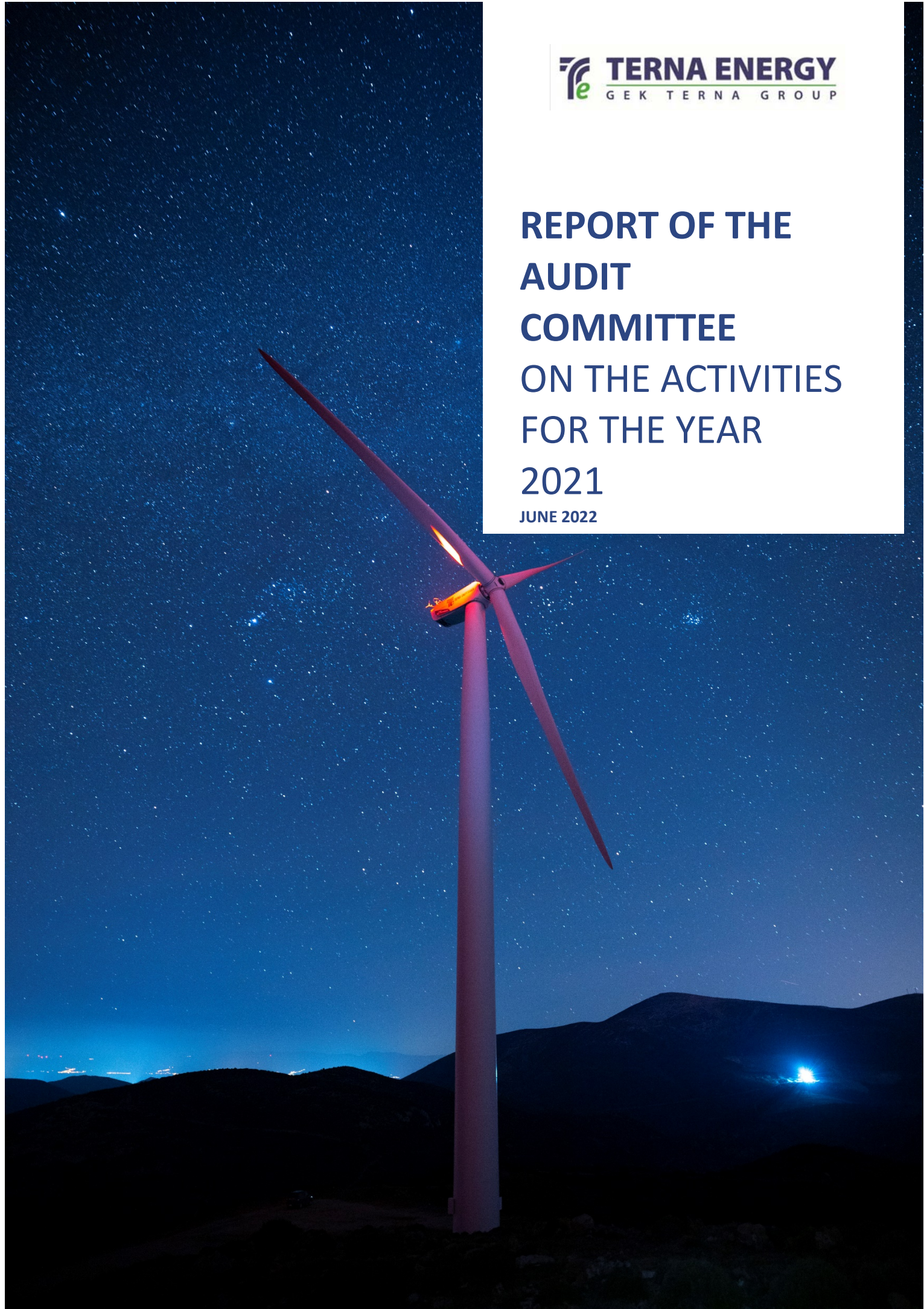


# REPORT OF THE AUDIT COMMITTEE ON THE ACTIVITIES FOR THE YEAR 2021

JUNE 2022





## **REPORT OF THE AUDIT COMMITTEE**

**TO THE SHAREHOLDERS OF THE COMPANY  
"TERNA ENERGY SOCIETE ANONYME INDUSTRIAL COMMERCIAL TECHNICAL COMPANY"**

**ON THE ACTIVITIES OF THE AUDIT COMMITTEE FOR THE YEAR 2021**

**22 JUNE 2022**

Dear shareholders,

On behalf of the Board of Directors of your company we present the Report of the Audit Committee for the financial year that ended 31 December 2021. The report describes the role, responsibilities and activities of the Committee during the fiscal year 2021 according to its responsibilities and its current Rules of Operation.

### **Introduction**

The Audit Committee is an Independent Committee according to Law 4449/2017 and has been appointed by the General Assembly of June 23, 2021 with a two-year term consisting of (1) Mr. George Mergos, independent non-executive member of the Board, President of the Committee, (2) Mr. Andreas Taprantzis, independent non-executive member of the Board and (3) Mr. Nikolaos Kalamaras, Specialist in Accounting and Auditing, who is not a member of the Board but meets the requirements of the Law. The members of the audit committee as a whole have sufficient knowledge in the field in which the audited entity operates and are in their majority independent in accordance with article 44 of Law 4449/2017 and articles 9 and 74 of Law 4706/2020. Also, from the members of the Committee, Mr. Nikolaos Kalamaras has documented sufficient knowledge in auditing and accounting. The CVs of the members of the Audit Committee are presented in detail in the Annex below.

### **A. Responsibilities of the Committee**

According to Law 4449/2017, the main concern of the Committee is to ensure the integrity of financial information, to monitor the effectiveness of the Internal Audit System (operation of the Internal Audit Unit, Risk Management and Regulatory Compliance), to supervise the procedures of governance and the description of the sustainable development policy pursued by the company in general.

## B. Activities of the Committee during the year 2021

The Audit Committee met ten (10) times in 2021. The following table shows the characteristics of its meetings based on the participation of its members:

FULL NAME	NUMBER MEETINGS THAT OCCURRED DURING THE MEMBER'S TERM	NUMBER OF MEETINGS IN WHICH THE MEMBER PARTICIPATED	NUMBER OF MEETINGS IN WHICH THE MEMBER PARTICIPATED VIA RERPRESENTATIVE	PERCENTAGE OF PARTICIPATION IN THE MEETINGS
Georgios Mergos	10	10		100%
Andreas Taprantzis (since 23-6-2021)	6	6		100%
Nikolaos Kalamaras	10	10		100%
Michael Gourzis (since 23-6-2021)	4	4		100%

The topics of the meetings also included meetings with the Internal Control Unit, the Heads of the Financial and Administrative Services Division and the Certified Auditors of the company, namely Grant Thornton.

Specifically, the activity of the Audit Committee can be summarized as follows:

### ***Financial information***

The Committee examined and confirmed the validity of the process of preparation of separate and consolidated financial statements (interim and annual) following the regular briefing that was provided from the Heads of the Financial and Administrative Services Division.

The Committee was also informed by the Certified Auditors about the planning of the audit for the year 2021 and, at a later stage, of the Key Audit Matters and the Audit Report that arose upon the completion of the audit.

The Committee evaluated the content of the Supplementary Audit Report submitted by the Certified Auditors in accordance with Article 11 of Regulation 537/2014 of the European Union and Law 4449/2017 (article 31, par. 1a).

It also became aware of the purpose and approved the non-audit work assigned to the Certified Auditors, taking into account the maximum remuneration (CAP) under Regulation (EU) 537/2014.

The Committee made a proposal to the Board of Directors, i.e. a proposal which in turn would be made to the General Meeting of Shareholders, with regard to the approval of the financial statements and the election of Certified Auditors for the audit of the year 2022.

### ***Internal Control Unit***

The Committee was constantly being informed and also cooperated with the Internal Control Unit, which was present informatively in all meetings of the Committee.

It approved and monitored the implementation of the Annual Audit Plan 2021, which included two (2) important consulting projects and specifically the digital transformation of TERNA ENERGY Group and the transition to SAP S / 4HANA operating environment as well as the alignment of the Company with Law 4706/20120 on Corporate Governance of Societes Anonyms.

It evaluated the findings that emerged from the implementation of the audit works and was informed about the implementation of the corrective actions agreed between the Internal Control Unit and the heads of the audited units.

The Committee became aware of the expenditure budget for the year 2022 regarding the operation of the Internal Control Unit and proposed the approval of the above budget to the Chief Executive Officer.

It was informed about each educational activity of the executives of the Internal Control Unit and evaluated the purpose and results of each educational plan.

### ***Risk management***

The Committee monitored the work of the Risk Manager and assessed the impact of risks on the planning and operation of the Group companies (parent company and subsidiaries). In particular, it assessed the effects caused by the extreme and severe weather events that took place in the state of Texas, USA.

It was informed about any new risks that were included in the Risk Register during the year 2021.

The Committee evaluated the work of the Risk Management function, taking into account the requirements of L. 4706 / 2020. It also suggested the further staffing that should occur for the execution of the responsibilities of the Risk Manager.

### ***Regulatory Compliance***

The Committee monitored the implementation of the action plan of the Head of Regulatory Compliance for the year 2021 and evaluated the course of harmonization of the Company with the current legislation. Particularly, it dealt with issues related to Law 4706/2020 on corporate governance of society anonyme companies.

The Committee was informed about the action plan of the Regulatory Compliance Unit regarding the fiscal year 2022 as according to the no. 2/917/17.06.2021 decision of the Hellenic Capital Market Commission such action plan does not require its approval by the Committee.

### ***Internal Control System***

The Committee examined and evaluated the efficiency and effectiveness of the procedures of the Internal Control System applied by the Group in the context of its forthcoming evaluation up until 31.03.2023.

It informed the Board of Directors about issues of information systems security as well as about the change that has been decided by the Company's Management, to be carried out in the management of the related infrastructure.

## **C. Sustainable development policy**

Sustainable Development for TERNAL ENERGY Group is not only a practice of alignment with international good practices but a holistic strategic approach based on the regular evaluation of the most important social, economic, and environmental impacts and the modification or reorganization of the Group's business activities if it is deemed necessary, through a process of dialogue and consultation with all stakeholders.

In addition, TERNA ENERGY Group operates under the auspices of the United Nations (UN) Global Sustainable Development Goals (SDGs) and is an ally in the fight for social equality, prosperity and the development of a sustainable natural environment, given that it has recognized that the seventeen (17) global goals are inextricably linked to the principles of Corporate Governance and Corporate Social Responsibility / Sustainable Development to which the Group itself is committed.

The responsible business model of operation of the Group is reflected in the practices and procedures that have been developed within the Group, aiming at the integration of the principles of Sustainable Development into its daily operation. At the same time, it is based on the strategic corporate values that have been established by the Management, i.e. respect for people and the natural environment, value creation for employees, customers, and shareholders, honesty, reliability and targeted social contribution.

The Group's policy for Sustainable Development is inextricably linked to the essential issues that are regularly recognized through the materiality analysis process for the Group to constantly listen to the needs of stakeholders (internal and external) but also to take into account the existing social economic trends in relation to its effects (positive or negative).

In this context, the corporate responsibility of the Group is in line with the ESG (Environmental-Social-Governance) criteria / principles, refers to four (4) axes of activity and is developed in eight (8) strategic directions / sub-areas which incorporate the specific approach-policy of the Group regarding the recognized essential issues

#### Axis 1: Environmental Protection

##### **Strategic Direction / Area of Activity: Environmental protection and climate change**

Achieving sustainable development through the continuous reduction of the environmental footprint of the Group's activities in Greece and abroad, the continuous adaptation to the conditions for Climate Change and the application of the principles of the Circular Economy in combination with the investment in innovative services and technologies and the strong adherence to the existing environmental management system.

Environmental protection is an integral part of the Group's strategy and becomes visible through its political, strategic and business decisions and actions. The Group acts in a targeted manner and takes measures that lead to the reduction of the environmental and energy footprint through the responsible management of the energy and natural resources it utilizes (e.g. water, energy, materials, the response to Climate Change and the protection and preservation of biodiversity). It also focuses on the transition to an economy that is less dependent on fossil fuels and will ensure sustainable cities and societies for all its stakeholders and participants.

#### Axis 2: Promotion of Human Value

##### **Strategic Direction / Area of Activity: Health & safety at work**

Recognizing the value of human health and life and ensuring a work environment free of accident risks.

The preservation of Health and Safety is a priority for the Group which is constantly improving the strategic framework in which the management of issues related to the protection of Health and Safety of all its stakeholders.

##### **Strategic Direction / Area of Activity: Staff development and human rights advocacy**

The recognition that surplus value is created by human capital. The goal of developing a balanced and secure work environment of meritocracy, transparency, equal opportunities-benefits, which enhances diversity, guarantees human-labor rights and at the same time invests in the continuous improvement of employees' skills, the development and retention of talents but and strengthening youth entrepreneurship.

The Group implements and respects the international principles and standards of Human Rights and has developed the framework of its principles and values based on the fundamental Human Rights. Respecting all its employees and associates, it takes care to prevent the occurrence of violations of their rights, through the adoption of policies, actions and control mechanisms, which apply and apply to all its activities, to all its subsidiaries and to all the projects it undertakes. The Group actively participates, supports and considers as its highest priority the investment in its people, providing the necessary resources to promote the continuous improvement of the working environment.

### Axis 3: Strengthening the Social Footprint

#### **Strategic Direction / Area of Activity: Concern for local communities**

Continuous consultation with the social partners and the elaboration of social impact studies with the ultimate goal of maximizing the direct and indirect social benefits, supporting solidarity actions such as donations and sponsorships and the stable cooperation with local suppliers towards building relations of trust.

Through the adoption of responsible policies that aim to create shared value for all its stakeholders, the Group stands to help the development of local communities in which it operates and with which it interacts, through continuous consultation and efforts to recognize and respond to real needs but also through the business activity it carries out.

#### **Strategic Direction / Area of Activity: Dealing with Emergencies**

The commitment to take measures and actions to deal with emergencies through the development of risk management plans, the implementation of preparedness exercises and the conduct of periodic internal and external inspections.

### Axis 4: Responsible Market

#### **Strategic Direction / Area of Activity: Creation and distribution of economic value**

Creating economic value - the main goal of the Group is to generate and distribute income to stakeholders through the payment of salaries to employees, payments to suppliers and partners, direct and indirect taxes in the countries of activation, the distribution of dividends to shareholders and investments in local communities, while avoiding financial and non-financial uncertainties and risks, with the aim of preserving economic activity, sustainable development and improving living standards.

#### **Strategic Direction / Area of Activity: Business Ethics and Regulatory Compliance**

The Group ensures the business ethics and the regulatory compliance of all its functions and activities with the priority of identifying and combating potential corruption, faithfully implementing the procedures and policies that have been integrated into the corporate operation (Code of Ethics, Anti-Corruption Management System ISO 37001) and regular training of human resources.

The fight against corruption is a critical pillar of the Group's operation, which is committed to demonstrating zero tolerance for such incidents, by promoting transparency, ensuring

business ethics and regulatory compliance, which are diffused throughout the range of its business activities and also affect the professional behaviour of its people. To this end, the Group acts through the establishment of policies and procedures, but also through the creation of control mechanisms and compliance with these policies.

**Strategic Direction / Area of Activity: Responsible Supply Chain Management**

Responsible management of the supply chain presupposes responsible collaborations. It is therefore mandatory for all suppliers and partners to fully comply with the Regulatory Framework of Principles and Values of the Group, both in matters of corruption and respect for human rights and in matters of Environmental Management and Social Corporate Policy.

First, the proper management of the supply chain starts from the responsible attitude of the Group, towards all its interested parties. The Group's business activities throughout its supply chain are carried out as soon as the potential environmental, social, and economic impacts have been assessed to maximize the positive impact. To address the new challenges posed by supply chain issues, the Group seeks to incorporate new criteria into the supply chain management processes, such as the new terms of cooperation with suppliers and the preference it shows to domestic suppliers.

For the above issues, the Group sets sub-objectives of Sustainable Development, which it evaluates on an annual basis in terms of the course of their achievement and reviews them appropriately when necessary.

To achieve the objectives, the Group develops individual management systems, policies, procedures, measurement indicators and implements appropriate action plans / programs that contribute to the further enhancement of the positive effects or the reduction of negative ones.

The authorized corporate responsibility team is responsible for the effective management of Sustainable Development and corporate responsibility issues. The team consists of specialized executives from all the key divisions of the Group. The Directorate of Strategic Communication, Press Office, CSR and Sustainable Development has taken on the task of coordination.

The Chairman and CEO through the direct reporting line of the Strategic Communication Department, Press Office, CSR and Sustainable Development has undertaken the overall management / supervision of Sustainable Development issues sealing the commitment of the Group's senior management to a sustainable development operation.

Based on the transparency and the regular information of the interested parties, the results of the Group's performance in matters of Sustainable Development are published and shared with the general public through the annual Sustainable Development Report.

**The members of the Audit Committee**

Georgios Mergos

Andreas Taprantzis

Nikolaos Kalamaras

**ANNEX**  
**CVs OF THE MEMBERS OF THE AUDIT COMMITTEE**

**George Mergos. (President of the Audit Committee).**

He is an Emeritus Professor of Economics at the National and Kapodistrian University of Athens, where he has been teaching since 1986. He studied Economics at the University of Athens, holds an MSc from the University of Oxford and a PhD from Stanford University in the USA. Prior to the University of Athens, he worked at the World Bank. He has served as General Secretary of the Ministry of Finance, Governor of IKA and General Secretary of the Ministry of National Economy. He has collaborated in research with IOBE (Foundation for Economic & Industrial Research), in consultation with International Organizations and as an Expert with the European Commission (DG External Relations), in matters of developmental cooperation in many countries (China, India, Egypt, other countries of South Asia, all the countries of the former Eastern Europe and some countries of the former Soviet Union). He has been, among others, a member of the Board. of GEK TERNA, PPC, National Bank, Alpha Bank and member of the Board of Directors of Black Sea Trade and Development Bank.

**Andreas Taprantzis, Non-Executive Member of the Board, Member of the Audit Committee.**

He is the CEO of Avis, since 11/2014. He planned and completed the radical reorganization of the Company in order to facilitate its sale by Piraeus Bank. The transaction took place in 2017 at € 325 million (EV) and was one of the largest in the country. He continued holding the same position with the new shareholders. Today, Avis is the largest car rental company in Greece, with 500 employees, a wide network of stations, a fleet of 40,000 vehicles, with assets over € 500 million, revenues over € 180 million and an EBITDA of € 100 million. Prior to his current position, he was an Authorized Consultant of the Hellenic Republic Asset Development Fund (HRADF), from its inception in August 2011 until November 2014. He was responsible for the development of Greek State's privately owned property assets, which included airports, ports, marinas, hotels and large scale land areas. During his tenure, the HRADH implemented contractual agreements worth € 12.5 billion, such as the contract for Elliniko, Asteras Vouliagmenis and the Regional Airports, attracting multiple secondary investments.

In 2009, he became COO and Managing Director of Retail Banking at the Postal Savings Bank (TT). In December 2010, he took over the position of Deputy CEO of T Bank (a subsidiary of TT). From 2005 to 2009, he was the Managing Director of Hellenic Post (ELTA), while at the same time he was a member of the Board of Directors of the Postal Savings Bank and Chairman of the Audit Committee. During his tenure, ELTA was profitable with a turnover of over € 600 million and profits of € 50 million per year, as a result of radical reorganization and the investments made in new technologies. His work at ELTA has been recognized internationally. In August 2008, he was elected President of the Postal Operations Council (POC) of the Universal Postal Union (UPU), a UN organization based in Bern, from 192 of the world's postal companies, holding this position from 2008 to 2012. Since July 2019, he has been member of the Board of Directors of Attica Bank, as well as Chairman of the Risk Management Committee. Dr. Taprantzis holds a degree in Chemical Engineering (MSc) and a PhD from the National Technical University of Athens, in the field of automatic system regulation with artificial intelligence (AI) models. He has an MBA and an AMP certificate from INSEAD.

**Nikolaos Kalamaras. Expert in Accounting and Auditing, Independent Member of the Audit Committee.**

He is a graduate of the Athens University of Economics and Business (former ASOEE). He has been working as an Accountant and Business Consultant since 1977. He is the Managing Director and Shareholder by 100% of the company under the name "Taxation SA Accounting Tax Technical Audit Company". He is also a member of the Hellenic and American Institute of Internal Auditors (AM 1374) - (ID 1521425). Since 1998 he has been a speaker in Tax related Seminars and author of Accounting books. He participated as an independent, non-executive member of the Board of Directors of TERNA ENERGY SA from 2007 to 2018. He is a member of the Audit Committee of the same company and Chairman of the Audit Committee of its subsidiary, TERNA ENERGY FINANCE. Since 2001 he has been an internal auditor in listed companies such as "Hermes Real Estate Companies SA", "KEKROPS Tourist



Real Estate Management SA" and "General Construction Company SA", while he has also been an internal auditor in "TERNA Societe Anonyme Tourist, Technical and Shipping Company", with a dependent employment relationship from 2002 up to the year 2009.